



Statement of
The National Association of Postmasters of the
United States
Walter Olihovik, National President

Before

The House Government Reform Subcommittee on
Civil Service and Agency Reorganization

On

“Health Care Affordability for Federal Retirees”

Wednesday, July 9, 2003

Madame Chair Jo Ann Davis, Congressman Danny Davis, and Members of the Subcommittee I am Wally Olihovik, President of the 42,000 member National Association of Postmasters of the United States (NAPUS). NAPUS represents the approximately 27,000 postmasters in this nation, as well as retired postmasters.

It is a privilege to share with you my thoughts about how the escalating cost of health care adversely affects retired postmasters. Pending legislation introduced by Chairman Tom Davis and Senator John Warner take a small step to alleviate the increasing financial burden that increasing Federal Employees Health Benefits Program (FEHBP) premium places on a large number of my members and your constituents. As you are aware, the average FEHBP premium increased by slightly over 11% for the 2003 contract year. At the same time, the Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) cost-of-living-adjustment rose by only 1.4%. That cavernous disparity between the FEHBP premium increase and the retirement COLA is not an aberration. In fact, over the past five years, FEHBP premiums have increased by 53.2%, while federal retiree COLAs increased by only 11.2% for CSRS and by just 9.2% for FERS. With each passing year, FEHBP premium increases erode a greater and greater portion of postal and federal retirees' fixed incomes.

For many NAPUS members, this phenomenon is chronic and financially devastating. This fact is particularly acute for those who have been unable to supplement their federal pension. For new retirees and postmasters contemplating retirement, the financial impact can be shocking. Active postal employees contribute their portion of the FEHBP premium with "pre-tax" dollars. This means that an employee is not assessed federal income taxes or social security taxes on their premium contributions. However, upon retirement, these very same individuals must pay their FEHBP contribution with funds withheld from their annuities, after income tax reductions. This unfair retiree tax can cost annuitants hundreds of dollars each year. Not too long ago, the Postal Service and the Office of Personnel Management extended postal and federal employees "premium conversion" to relieve some of the financial burden, without increasing the employer contribution to FEHBP.

Currently, the Internal Revenue Code stipulates that pre-tax contributions towards health insurance are part of a "salary reduction agreement" and therefore limited to "earned income." Since retirement annuities are not considered "earned income," current law precludes federal retirees from enjoying the same tax preferred rights as active employees. NAPUS believes that this rule is discriminatory and serves no valid public policy goal. Moreover, extending "premium conversion" to postal and federal retirees would help to mitigate the ever-escalating costs associated with health insurance that is borne by CSRS and FERS retirees.

Consequently, NAPUS strongly supports enactment of H.R. 1231, introduced by Chairman Tom Davis, and S.623, introduced by Chairman John Warner. The legislation enjoys broad bipartisan support meriting 277 House cosponsors and 41 Senate cosponsors. Premium conversion represents a responsible and tested approach to address the high cost of health insurance and demonstrates our nation's commitment to affordable health coverage.

Madame Chair, thank you for conducting this hearing and providing NAPUS with opportunity to share our views. We encourage you to report favorably H.R. 1231 to correct the unfair financial plight suffered by so many who are committed to postal and federal service.